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ABSTRACT

This report presents the administrative procedures adopted by the Board of Governors of the California Community Colleges in March 1983 to standardize the calculation of noninstructional costs supported from revenues generated by average daily attendance (ADA) in special classes for disabled students. First, background information is provided, indicating that Handicapped Student Programs and Services (HSPS) are presently supported by Direct Excess Cost (DEC) funds, which are allocated to districts to meet the additional expenses incurred as a result of providing specialized instruction and support. Information is also presented on the types of services financed by DEC funds, disabled student enrollments, and controversies surroundng HSPS. Next, three related problems in HSPS funding are addressed: (1) the employment of differing procedures for calculating cost rates by individual districts; (2) the lack of a precise definition of reasonable general fund support for special assistance programs; and (3) the nonapplicability of the same cost rate computations for both on- and off-campus programs. Finally, procedures for the equitable determination of noninstructional cost rates are presented, including definitions of on- and off-campus special classes and programs, and information on computing noninstructional cost rate and determining the amount of general fund monies that must be utilized before DEC funds can be claimed. (LL)

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ED231437

Board of Governors of the
California Community Colleges
March 10-11, 1983

Item 1

Title: Noninstructional Costs in Programs for the Disabled

Staff Presentation: Ron Dyste, Administrator
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Specially Funded Programs

Summary

This item presents for Board action a staff proposal to standardize the manner in which districts calculate the noninstructional costs supported from revenues generated by ADA in special classes offered for disabled students. Present district procedures for these calculations vary widely and such variations appear to have inequitable effects on the statewide utilization of categorical aid provided by the Legislature to community colleges to meet the special needs of disabled students.

The item provides a brief background on the Handicapped Student Programs and Services (HSPS) provided in community colleges, notes areas of general controversy, discusses the fiscal problems occasioned by categorical support of special classes which also generate ADA and apportionment income, and presents a staff recommendation for resolving the problems.

The Budget and Finance Committee heard an informational presentation on this item at its June 25, 1982 meeting. No testimony was offered. In August 1982, the Legislature received a progress report on this issue, which had been requested in supplemental Budget Act language.

Recommended Action

The Budget, Finance, and Legislation Committee should recommend that the full Board endorse the attached, "Administrative Procedures, HSPS 83-1," for implementation in the 1982-83 fiscal year, beginning July 1, 1982.

Full Board action is recommended for Friday, March 11.

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Background

Brief Description of HSPS

The present system for providing specialized classroom instruction and support services to disabled students in California's community colleges was established by statute (AB 77 Lanterman, Chapter 275) in 1976. The Board of Governors adopted regulations pursuant to the statute in Title 5 of the California Administrative Code (Sections 56000-56088) in 1977.

Handicapped Student Programs and Services (HSPS) are financed by the Direct Excess Cost fund (DEC) established in statute (AB 77 of 1976 and AB 2670 of 1978); although in recent years the appropriation levels for the fund have been determined through the annual budget act. On June 8, 1981, the Board of Governors adopted a formula mechanism and related policies to allocate the appropriation to districts under Title 5 provisions which required such Board action (with the concurrence of the Director of the Department of Rehabilitation) when district requests for DEC funds exceeded the appropriated dollars.

DEC funds are allocated to districts to meet the additional program and service expenses they incur which are the direct result of providing specialized instruction and support to overcome functional limitations which otherwise impede the full educational participation of disabled students. For example, DEC funds support the additional costs of interpreters for the deaf, readers for the blind, assessment for the learning disabled, and wheelchair purchases and loans for the mobility impaired. Additionally, DEC funds support the added costs of special classes having lower student-instructor ratios, such as classes for the prelingual deaf. More than 30 areas of programs and services are offered for disabled students by community colleges, including a variety of off-campus functions for the developmentally disabled (such as participation in sheltered workshop or state hospital programs).

The scope of community college programs and services for the disabled is very diverse because the disabled student population is very diverse. For example, in a study completed in 1980 by the Chancellor's Office for the Legislature, it was found that community colleges served more than 90% of the 41,000 disabled students attending the three public postsecondary education segments in California. Comparisons demonstrated that where approximately 90% of the disabled students attending the UC and CSU were physically impaired in 1979-80, only 54% of the community college disabled students were physically impaired. Also, where more than one-third of community college disabled students were learning disabled, fewer than 4% of UC and CSU disabled students were learning disabled.

Disabled student enrollments in California community colleges have increased from 39,000 in 1979-80 to over 47,000 in 1[illegible], to 50,000 in 1982-83. In 1981-82, the Legislature provided approximately $18.2 million in the Direct Excess Cost fund to support HSPS functions; the same amount was budgeted, with no inflation or growth adjustment, for 1982-83. Staff estimates that there was approximately $11 million of unmet need in handicapped programs for 1981-82 and $14 million in the current fiscal year.

HSPS Controversies

Programs and services for the disabled in community colleges have frequently been marked by a number of philosophical, programmatic, and fiscal controversies. For example, mission questions have been raised over whether community colleges should continue serving the substantially handicapped, such as mentally retarded adults. Other questions have been raised concerning equity when identifying and assessing learning disabilities.

Differences of opinion also exist between those who favor continuing the direct excess cost approach to funding disabled student programs and services and those who would like to implement alternative approaches which would fund only a specified list of services. Additionally, questions have been raised concerning the real and imagined existence of fiscal incentives which encourage colleges to offer special classes primarily because they generate ADA and revenue, rather than offering such classes for student need and educational reasons.

Several of these and other controversies appear to be lasting -- such as determining the appropriate balance between full mainstreamed class attendance versus special class attendance for the disabled -- and are thus likely to require on-going staff and field attention. The Chancellor's staff is also working toward recommending prudent resolutions to other controversies, among them the subject of this item: establishing uniform and equitable procedures for computing the noninstructional cost to be allowed for districts on revenues generated by special class ADA.

Discussion of Special Class Indirect Rates

Three Problems

The Chancellor's Office 1980 study of Handicapped Student Programs and Services in California's community colleges demonstrated that statewide, districts treat special class revenue and classroom expenditure decisions no differently from other general fund decisions. This is not surprising, because the general community college finance mechanism provides for local discretion when allocating ADA generated apportionments to high and low cost instructional programs, as well as to other necessary institutional support functions -- such as administration, student services, library services, maintenance operations, and so forth. By convention in HSPS fiscal administration, support of these functions are identified as the "noninstructional costs," and the proportions of revenues which fund them as the "noninstructional cost rates."

However, in spite of overall consistency by districts in these local allocation decisions (based upon statewide fiscal data), three related problems arise in the case of special class ADA generated revenues:

1. Individual districts employ different procedures for calculating the noninstructional cost rate from special class revenues. Data for 1980-81 indicate, for example, that while the statewide average noninstructional cost rate was 37% when adjusted for different ADA levels, individual district rates varied from 0% to 69%. (See Table 1 for a cross-tabulated display showing district noninstructional cost rate variations by variations in the amount of special class ADA.)

2. Special class expenditures are eligible to receive additional support from the HSPS direct excess cost fund. Such support is available only after reasonable general fund support is exhausted. However, neither current Title 5 regulations nor the enabling legislation establishes a precise definition of reasonable general fund support.

   Absent such precision, there is a likelihood of inequitable use of the total direct excess cost fund which results from interdistrict variation in computing their special class noninstructional cost rate. For example, if a district deducts from special class generated revenues a high noninstructional cost rate before financing the costs of the special class instruction, so that the remaining revenues are inadequate to meet those costs, then the difference could be met from the direct excess cost fund.

   The problem of equity seems apparent: noninstructional cost rate differences for special classes result in uneven demands on the excess cost fund; higher noninstructional cost rates may deplete the HSPS funds available to finance the excess costs for other special classes, and the costs of many supportive services.

3. A further problem arises when the same district noninstructional cost rate computation is applied to both on- and off-campus special class generated revenues. District procedures -- though the specific mechanisms vary among districts --calculate the noninstructional cost rate as a percent of ADA generated income. For on-campus special classes, this is reasonable because the disabled students who attend them also utilize libraries, counselors, classrooms, and other college facilities and services. Yet off-campus disabled students rarely, if ever, utilize on-campus functions or facilities. Consequently, it seems reasonable that noninstructional cost rates should be calculated as a percent of the off-campus program expenditures, rather than as a percent of the revenues such programs generate.

These three problems have prompted controversies concerning the fiscal integrity of the HSPS direct excess cost fund as it applies to special class expenditures. Although staff has found little, if any, evidence to support contentions of program critics that districts have been "double-dipping," or otherwise misusing special class generated revenues and the direct excess cost fund, it seems clear that the foregoing problems at least confound the fiscal clarity of the HSPS program, and that they will continue to prompt controversies if left unresolved.

TA 1

Cross-Tabulated Distribution Showing the Number of Districts Which Charged Selected Ranges of Noninstructional Cost Rates as Percents of Special Class Revenues, by the Number of Districts Generating Selected Ranges of Special Class ADA, 1980-81

Selected Range of Non-instructional Cost Rates as Percents of Revenue	Selected Ranges of Special Class ADA								
	1 to 50	51 to 150	151 to 300	301 to 450	451 to 600	601 to 750	750 +	Total # of Districts	% of St Total
0% - 20%	6	4						10	16.1
21% - 30%	5	1	1	1			1	9	14.5
31% - 40%	15	7	1	1	1		1	26	42.0
41% - 50%	5	2	2			1	1	11	17.7
51% - 60%	1	2	1					4	6.5
61% or more	1	1						2	3.2
Totals	33	17	5	2	1	1	3	62	
% of State Total	53.2	27.4	8.1	3.2	1.6	1.6	4.9		100.0

Note: Number in each cell represents the number of districts which charged the applicable noninstructional cost rate range, and which generated the applicable ADA range.

More important, however, is the impact of different district noninstructional rate computations on the statewide use of the HSPS direct excess cost fund, a matter that does raise a clear equity concern of statewide significance.

Staff Proposal to Standardize Noninstructional Cost Rate Computation Procedures

In response to the problems described above, the Chancellor directed staff to develop proposals for establishing administrative procedures which would equitably determine noninstructional cost rates. These procedures are detailed below. They are the result of comments received statewide during March and April of 1982 from HSPS college specialists, business officers, deans of instruction and student services, and others. Subsequently, Chancellor's staff met with CPEC staff to develop recommended supplemental budget language which would require a report to the Legislature on the proposed procedures. That report, based upon the procedures below, was submitted to the Legislature in August 1982.

Staff proposes Board action endorsing the procedures which follow for district computation of noninstructional cost rates in 1982-83. Due to wide circulation and discussion of these procedures to date, staff anticipates few, if any, difficulties in district implementation this year.

BOARD OF GOVERNORS
CHANCELLOR'S OFFICE
CALIFORNIA COMMUNITY COLLEGES

ADMINISTRATIVE PROCEDURE NO. HSPS 83-1:
DETERMINATION OF NONINSTRUCTIONAL COSTS

Supplemental language to the Budget Act of 1982 requires the Board of Governors to develop uniform and equitable procedures for use by community college districts in computing noninstructional cost rates to be charged against the apportionment income (both General State apportionment and property tax revenues) generated by ADA in on-campus and off-campus special classes or programs for the handicapped. The supplemental language further provides that "In no case shall "noninstructional cost" rates exceed 50 percent on campus and 20 percent off campus for each district."

In compliance with the foregoing requirements, the Board of Governors hereby establishes the following procedures for determining noninstructional costs for on-campus and off-campus special classes and programs for the handicapped.

A) Definitions

1) Special Classes or Programs

Special Classes or Programs means prescribed special instruction for students with specific educational needs. Such classes and programs may also be designed:

a) For severely disabled students who cannot initially attend regular classes.

b) To provide preparatory or supportive instruction to enable students to participate in regular activities.

2) On-Campus Special Class or Program

An on-campus special class or program is one that exists on the physical grounds or within the actual boundaries of the home campus or educational center.

3) Off-Campus Special Class or Program

An off-campus special class or program is one that exists in a facility that is not located on the home campus or educational center. These programs or special classes typically exist in sheltered workshops, day training and activity centers, work activity centers, state hospitals, convalescent care facilities, nursing hospitals, or other similar sites.

B) Rate Computation

1) The determination of the noninstructional cost rate for the current fiscal year for on-campus special classes or programs is based on the preceeding fiscal year's total noninstructional costs divided by the sum of its noninstructional and direct instructional costs. This noninstructional cost rate shall not exceed 50%.

a) Direct instructional costs include the following, as itemized on the Form CCFS 311 under Part 1, General Fund Expenditures by Activity:

1. All costs coded to instruction (Activities 0100-5900), and

2. All costs coded to instructional support (Activity 6000).

b) Noninstructional costs include the following, as itemized on the Form CCFS 311:

1. Instructional services (Activity 6100), which include library, audio-visual/multi-media centers, museums and galleries

2. Admissions and records (Activity 6200)

3. Counseling services (Activity 6300)

4. Other student services (Activity 6400), such as student personnel administration, financial aids administration, health services, student transportation and general student services

5. Maintenance and operation of plant (Activity 6500)

6. Planning and Policy-making (Activity 6600)

7. General institutional services (Activity 6700), such as fiscal operation, personnel, affirmative action, noninstructional data processing logistics, security, purchasing, warehousing, etc., and

8. Expenditures to support non-income-generating ancillary services (Activity 6900).

c) Excluded expenditures are all those not included in Sections (a) and (b) above.

2) The determination of the noninstructional cost rate for the current fiscal year for off-campus special classes or programs is based on the preceeding fiscal year's total noninstructional costs divided by the sum of its noninstructional and direct instructional costs. This noninstructional cost rate shall not exceed 20%.

a) Direct instructional costs include the following, as itemized on the Form CCFS 311:

1. All costs coded to instruction (Activities 0100-5900), and

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b) Noninstructional costs include the following, as itemized on the Form CCFS 311 under Part 1, General Fund Expenditures by Activity:

1. Admissions and records (Activity 6200)

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3. General institutional services (Activity 6400), such as fiscal operations, personnel, affirmative action, noninstructional data processing logistics, security, purchasing, warehousing, etc., and

4. Expenditures to support non-revenue-generating ancillary services (Activity 6900).

c) Excluded expenditures are all those not included in Sections (a) and (b) above.

C) Utilization of Noninstructional Cost Rate for Special Classes for the Handicapped

1) For on-campus special classes -- as defined above -- the college or district will subtract the amount as determined by the product of the noninstructional cost rate and the apportionment income (both general State apportionment and property tax revenues) for special classes from the total apportionment income generated by these special classes for the disabled. This difference is the amount that must be utilized in the special classes for the aggregated, appropriate and relevant expenditures before Direct Excess Cost can be claimed and/or expended.

2) For off-campus special classes -- as defined above -- the college or district will add the amount as determined by the product of the noninstructional cost rate and the aggregated, appropriate and relevant expenditures for special classes for the handicapped to those same aggregated, appropriate and relevant expenditures for special classes. This amount will then be compared to the total apportionment (both general fund and property tax) generated by the off-campus special classes. If the total noninstructional cost and direct cost of the special classes exceed the total income, then Direct Excess Cost can be claimed and/or expended.

Board Action No. 830313

Board of Governors of the
California Community Colleges

NONINSTRUCTIONAL COSTS IN PROGRAMS FOR THE DISABLED

The Board of Governors unanimously endorsed the attached Administrative Procedures, HSPS 83-1, for implementation in the 1982-83 fiscal year, beginning July 1, 1982.

Certified Adopted: March 11, 1983

BOARD OF GOVERNORS
CHANCELLOR'S OFFICE
CALIFORNIA COMMUNITY COLLEGES

ADMINISTRATIVE PROCEDURE NO. HSPS 83-1:
DETERMINATION OF NONINSTRUCTIONAL COSTS

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In compliance with the foregoing requirements, the Board of Governors hereby establishes the following procedures for determining noninstructional costs for on-campus and off-campus special classes and programs for the handicapped.

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B) Rate Computation

1) The determination of the noninstructional cost rate for the current fiscal year for on-campus special classes or programs is based on the preceeding fiscal year's total noninstructional costs divided by the sum of its noninstructional and direct instructional costs. This noninstructional cost rate shall not exceed 50%.

a) Direct instructional costs include the following, as itemized on the Form CCFS 311 under Part 1, General Fund Expenditures by Activity:

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8. Expenditures to support non-income-generating ancillary services (Activity 6900).

c) Excluded expenditures are all those not included in Sections (a) and (b) above.

2) The determination of the noninstructional cost rate for the current fiscal year for off-campus special classes or programs is based on the preceeding fiscal year's total noninstructional costs divided by the sum of its noninstructional and direct instructional costs. This noninstructional cost rate shall not exceed 20%.

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2) For off-campus special classes -- as defined above -- the college or district will add the amount as determined by the product of the noninstructional cost rate and the aggregated, appropriate and relevant expenditures for special classes for the handicapped to those same aggregated, appropriate and relevant expenditures for special classes. This amount will then be compared to the total apportionment (both general fund and property tax) generated by the off-campus special classes. If the total noninstructional cost and direct cost of the special classes exceed the total income, then Direct Excess Cost can be claimed and/or expended.

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